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State of Minnesota

HOUSE OF REPRESENTATIVES

EIGHTY-EIGHTH SESSION

H. F. No. 1449

03/11/2013 Authored by Erhardt, Hornstein, Hortman, Bly, Anzele and others
The bill was read for the first time and referred to the Committee on Transportation Finance

1.1 A bill for an act
1.2 relating to transportation; amending various provisions related to transportation
1.3 finance and taxes; authorizing sale and issuance of trunk highway bonds; making
1.4 technical changes; appropriating money; amending Minnesota Statutes 2012,
1.5 sections 163.051; 168.013, subdivision 1a; 168.31, by adding a subdivision;
1.6 296A.07, subdivision 3; 296A.08, subdivision 2; 296A.083, subdivision 3;
1.7 297A.61, subdivision 3; 297A.68, subdivision 3; 297A.70, subdivisions 2, 3;
1.8 297A.815, subdivision 3; 297A.94; 297A.992, subdivisions 2, 6; 297A.993,
1.9 subdivision 1; 297B.01, subdivisions 14, 16; 297B.02, subdivision 3; 297B.03;
1.10 proposing coding for new law in Minnesota Statutes, chapter 435.

1.11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.12 ARTICLE 1

1.13 TRUNK HIGHWAY BONDS

1.14 Section 1. BOND APPROPRIATIONS.

1.15 The sums shown in the column under "APPROPRIATIONS" are appropriated from
1.16 the bond proceeds account in the trunk highway fund, or another named fund, to the state
1.17 agencies or officials indicated, to be spent for public purposes. Appropriations of bond
1.18 proceeds must be spent as authorized by the Minnesota Constitution, articles XI and XIV.
1.19 Unless otherwise specified, money appropriated in this article for a capital program or
1.20 project may be used to pay state agency staff costs that are attributed directly to the capital
1.21 program or project in accordance with accounting policies adopted by the commissioner
1.22 of management and budget.

1.23 SUMMARY

Table with 2 columns: Department and Amount. Rows include Department of Transportation (\$ 800,000,000), Department of Management and Budget (800,000), and TOTAL (\$ 800,800,000).

2.1 APPROPRIATIONS

2.2 Sec. 2. DEPARTMENT OF
2.3 TRANSPORTATION

2.4 Subdivision 1. Total Appropriation \$ 800,000,000

2.5 This appropriation is to the commissioner of
2.6 transportation for the purposes specified in
2.7 this section.

2.8 Subd. 2. Corridor Investment Management
2.9 Strategy (CIMS) Program 400,000,000

2.10 This appropriation is in the amount of
2.11 \$100,000,000 in each fiscal year for fiscal
2.12 years 2014 to 2017.

2.13 Subd. 3. Transportation Economic
2.14 Development (TED) Program 400,000,000

2.15 This appropriation is for the Transportation
2.16 Economic Development program under
2.17 Minnesota Statutes, section 161.04,
2.18 subdivision 6, and is in the amount of
2.19 \$100,000,000 in each fiscal year for fiscal
2.20 years 2014 to 2017.

2.21 Sec. 3. BOND SALE EXPENSES \$ 800,000

2.22 This appropriation is to the commissioner
2.23 of management and budget for bond sale
2.24 expenses under Minnesota Statutes, sections
2.25 16A.641, subdivision 8; and 167.50,
2.26 subdivision 4.

2.27 Sec. 4. BOND SALE AUTHORIZATION.

2.28 To provide the money appropriated in subdivision 1 from the bond proceeds account
2.29 in the trunk highway fund, the commissioner of management and budget shall sell and
2.30 issue bonds of the state in an amount up to \$800,800,000 in the manner, upon the terms,
2.31 and with the effect prescribed by Minnesota Statutes, sections 167.50 to 167.52, and
2.32 by the Minnesota Constitution, article XIV, section 11, at the times and in the amounts
2.33 requested by the commissioner of transportation. The proceeds of the bonds, except

3.1 accrued interest and any premium received from the sale of the bonds, must be deposited
3.2 in the bond proceeds account in the trunk highway fund.

3.3 **Sec. 5. EFFECTIVE DATE.**

3.4 This article is effective the day following final enactment.

3.5 **ARTICLE 2**

3.6 **HIGHWAY USER TAXES**

3.7 Section 1. Minnesota Statutes 2012, section 168.013, subdivision 1a, is amended to read:

3.8 Subd. 1a. **Passenger automobile; hearse.** (a) On passenger automobiles as defined
3.9 in section 168.002, subdivision 24, and hearses, except as otherwise provided, the tax
3.10 shall be ~~\$10~~ \$20 plus an additional tax equal to ~~1.25~~ 1.375 percent of the base value,
3.11 as adjusted under paragraph (h).

3.12 (b) Subject to the classification provisions herein, "base value" means the
3.13 manufacturer's suggested retail price of the vehicle including destination charge using list
3.14 price information published by the manufacturer or determined by the registrar if no
3.15 suggested retail price exists, and shall not include the cost of each accessory or item of
3.16 optional equipment separately added to the vehicle and the suggested retail price.

3.17 (c) If the manufacturer's list price information contains a single vehicle identification
3.18 number followed by various descriptions and suggested retail prices, the registrar shall
3.19 select from those listings only the lowest price for determining base value.

3.20 (d) If unable to determine the base value because the vehicle is specially constructed,
3.21 or for any other reason, the registrar may establish such value upon the cost price to the
3.22 purchaser or owner as evidenced by a certificate of cost but not including Minnesota sales
3.23 or use tax or any local sales or other local tax.

3.24 (e) The registrar shall classify every vehicle in its proper base value class as follows:

	FROM	TO
3.25	\$ 0	\$ 199.99
3.26	\$ 200	\$ 399.99
3.27		

3.28 and thereafter a series of classes successively set in brackets having a spread of \$200
3.29 consisting of such number of classes as will permit classification of all vehicles.

3.30 (f) The base value for purposes of this section shall be the middle point between
3.31 the extremes of its class.

3.32 (g) The registrar shall establish the base value, when new, of every passenger
3.33 automobile and hearse registered prior to the effective date of Extra Session Laws 1971,

4.1 chapter 31, using list price information published by the manufacturer or any nationally
 4.2 recognized firm or association compiling such data for the automotive industry. If unable
 4.3 to ascertain the base value of any registered vehicle in the foregoing manner, the registrar
 4.4 may use any other available source or method. The registrar shall calculate tax using base
 4.5 value information available to dealers and deputy registrars at the time the application for
 4.6 registration is submitted. The tax on all previously registered vehicles shall be computed
 4.7 upon the base value thus determined taking into account the depreciation provisions of
 4.8 paragraph (h).

4.9 (h) The annual additional tax must be computed upon a percentage of the base value
 4.10 as follows: during the first year of vehicle life, upon 100 percent of the base value; for the
 4.11 second year, 90 percent of such value; for the third year, 80 percent of such value; for the
 4.12 fourth year, 70 percent of such value; for the fifth year, 60 percent of such value; for the
 4.13 sixth year, 50 percent of such value; for the seventh year, 40 percent of such value; for the
 4.14 eighth year, 30 percent of such value; for the ninth year, 20 percent of such value; for the
 4.15 tenth year, ten percent of such value; for the 11th and each succeeding year, the sum of \$25.

4.16 (i) In no event shall the annual additional tax be less than \$25.

4.17 (j) For any vehicle previously registered in Minnesota, the annual additional tax
 4.18 due under ~~this subdivision~~ paragraph (a) must not exceed the smallest amount of annual
 4.19 additional tax previously paid or due on the vehicle.

4.20 **EFFECTIVE DATE.** This section is effective the day following final enactment
 4.21 and applies to taxes payable for a registration period starting on or after July 1, 2013.

4.22 Sec. 2. Minnesota Statutes 2012, section 168.31, is amended by adding a subdivision
 4.23 to read:

4.24 Subd. 5a. **Late payment penalty.** (a) The owner of a vehicle subject to registration
 4.25 tax under section 168.013, subdivisions 1a to 11, owes a late payment penalty if the
 4.26 registration tax due for the vehicle is not fully paid within 30 days of the first day of
 4.27 the registration period for which the tax is owed. The amount of the penalty is equal to
 4.28 five percent of the total registration tax amount for the registration period, rounded to
 4.29 the nearest dollar.

4.30 (b) The commissioner shall include notice of potential late payment penalties in
 4.31 its registration tax notifications.

4.32 (c) A late payment penalty is included as a fee under this chapter, and chapters 168A
 4.33 and 169, for registration and operation of the vehicle on public streets and highways,
 4.34 including but not limited to requirements (1) under sections 168.09, subdivision 1, 168A.08,
 4.35 and 169.79, subdivision 1; and (2) related to issuance of plates and validation stickers.

5.1 (d) Proceeds from penalties collected under this subdivision must be deposited in
 5.2 the highway user tax distribution fund. Of the first dollars deposited, an amount equal to
 5.3 the total start-up costs associated with implementation of this subdivision is appropriated
 5.4 from the highway user tax distribution fund to the commissioner of public safety.

5.5 (e) This subdivision does not apply to (1) a vehicle for which installment payments
 5.6 are made under subdivision 4 or 4a; or (2) a vehicle registered under section 168.012,
 5.7 168.031, or 168.187. A late payment penalty is not subject to refund under section
 5.8 168.022 or 168.16.

5.9 **EFFECTIVE DATE.** This section is effective the day following final enactment
 5.10 and applies to taxes payable for a registration period starting on or after January 1, 2014.

5.11 Sec. 3. Minnesota Statutes 2012, section 296A.07, subdivision 3, is amended to read:

5.12 Subd. 3. **Rate of tax.** The gasoline excise tax is imposed at the following rates:

5.13 (1) E85 is taxed at the rate of ~~17.75~~ 21.3 cents per gallon;

5.14 (2) M85 is taxed at the rate of ~~14.25~~ 17.1 cents per gallon; and

5.15 (3) all other gasoline is taxed at the rate of ~~25~~ 30.0 cents per gallon.

5.16 **EFFECTIVE DATE.** This section is effective October 1, 2013, and applies to all
 5.17 gasoline, undyed diesel fuel, and special fuel in distributor storage on or after that date.

5.18 Sec. 4. Minnesota Statutes 2012, section 296A.08, subdivision 2, is amended to read:

5.19 Subd. 2. **Rate of tax.** The special fuel excise tax is imposed at the following rates:

5.20 (a) Liquefied petroleum gas or propane is taxed at the rate of ~~18.75~~ 22.5 cents per
 5.21 gallon.

5.22 (b) Liquefied natural gas is taxed at the rate of ~~15~~ 18.0 cents per gallon.

5.23 (c) Compressed natural gas is taxed at the rate of ~~\$2.174~~ \$2.609 per thousand cubic
 5.24 feet; or ~~25~~ 30.0 cents per gasoline equivalent. For purposes of this paragraph, "gasoline
 5.25 equivalent," as defined by the National Conference on Weights and Measures, is 5.66
 5.26 pounds of natural gas.

5.27 (d) All other special fuel is taxed at the same rate as the gasoline excise tax as
 5.28 specified in section 296A.07, subdivision 2. The tax is payable in the form and manner
 5.29 prescribed by the commissioner.

5.30 **EFFECTIVE DATE.** This section is effective October 1, 2013, and applies to all
 5.31 gasoline, undyed diesel fuel, and special fuel in distributor storage on or after that date.

5.32 Sec. 5. Minnesota Statutes 2012, section 296A.083, subdivision 3, is amended to read:

6.1 Subd. 3. **Surcharge rate.** (a) By ~~July 16, 2008, and each April 1 thereafter~~ annually,
 6.2 the commissioner of revenue shall calculate and publish a surcharge as provided in
 6.3 paragraphs (b) and (c). ~~The surcharge is imposed from August 1, 2008, through June 30,~~
 6.4 ~~2009, and~~ Each new surcharge thereafter is imposed the following July 1 through June 30.

6.5 (b) For fiscal years ~~2009 through 2012~~ 2014 through 2016, the commissioner shall
 6.6 set the surcharge as specified in the following surcharge rate schedule.

6.7 Surcharge Rate Schedule

6.8	Fiscal Year	Rate (in cents per gallon)
6.9	2009	0.5
6.10	2010	2.1
6.11	2011	2.5
6.12	2012	3.0
6.13	<u>2014</u>	<u>3.5</u>
6.14	<u>2015</u>	<u>5.0</u>
6.15	<u>2016</u>	<u>6.5</u>

6.16 (c) For fiscal year ~~2013~~ 2017 and thereafter, the commissioner shall set the surcharge
 6.17 at the lesser of (1) ~~3.5~~ 8.0 cents, or (2) an amount calculated so that the total proceeds from
 6.18 the surcharge deposited in the trunk highway fund from fiscal year 2009 to the upcoming
 6.19 fiscal year equals the total amount of debt service from fiscal years 2009 to ~~2039~~ 2044,
 6.20 and the surcharge is rounded to the nearest 0.1 cent.

6.21 **EFFECTIVE DATE.** This section is effective July 1, 2013.

6.22 Sec. 6. Minnesota Statutes 2012, section 297A.815, subdivision 3, is amended to read:

6.23 Subd. 3. **Motor vehicle lease sales tax revenue allocation.** (a) For purposes of this
 6.24 subdivision, "net revenue" means an amount equal to: ~~(1) the revenues, including interest~~
 6.25 ~~and penalties, collected under this section, during the fiscal year; less (2) in fiscal year~~
 6.26 ~~2011, \$30,100,000; in fiscal year 2012, \$31,100,000; and in fiscal year 2013 and following~~
 6.27 ~~fiscal years, \$32,000,000.~~

6.28 (b) On or before June 30 of each fiscal year, the commissioner of revenue shall
 6.29 estimate the ~~amount of the revenues and subtraction under paragraph (a)~~ net revenue
 6.30 for the current fiscal year.

6.31 (c) On or after July 1 of the subsequent fiscal year, the commissioner of management
 6.32 and budget shall transfer the net revenue as estimated in paragraph (b) from the general
 6.33 fund, as follows:

6.34 (1) 50 percent to the greater Minnesota transit account; and

6.35 (2) 50 percent to the county state-aid highway fund.

7.1 (d) Notwithstanding any other law to the contrary, the commissioner of transportation
 7.2 shall allocate the funds transferred under this clause to the counties paragraph (c), clause
 7.3 (2), as follows:

7.4 (1) an amount to each county in the metropolitan area, as defined in section 473.121,
 7.5 subdivision 4, excluding the counties of Hennepin and Ramsey, so that each county shall
 7.6 receive of such amount that equals the amount provided to that county in fiscal year
 7.7 2013 under this subdivision; and

7.8 (2) of the remaining funds following the allocation under clause (1), an amount to
 7.9 each county in the metropolitan area calculated from the percentage that its population,
 7.10 as defined in section 477A.011, subdivision 3, estimated or established by July 15 of
 7.11 the year prior to the current calendar year, bears to the total population of the counties
 7.12 receiving funds under this clause.

7.13 ~~(d) For fiscal years 2010 and 2011, the amount under paragraph (a), clause (1), must~~
 7.14 ~~be calculated using the following percentages of the total revenues:~~

7.15 ~~(1) for fiscal year 2010, 83.75 percent; and~~

7.16 ~~(2) for fiscal year 2011, 93.75 percent.~~

7.17 **EFFECTIVE DATE.** This section is effective June 30, 2013.

7.18 **ARTICLE 3**

7.19 **GENERAL SALES TAX**

7.20 Section 1. Minnesota Statutes 2012, section 297A.61, subdivision 3, is amended to read:

7.21 Subd. 3. **Sale and purchase.** (a) "Sale" and "purchase" include, but are not limited
 7.22 to, each of the transactions listed in this subdivision.

7.23 (b) Sale and purchase include:

7.24 (1) any transfer of title or possession, or both, of tangible personal property, whether
 7.25 absolutely or conditionally, for a consideration in money or by exchange or barter; and

7.26 (2) the leasing of or the granting of a license to use or consume, for a consideration
 7.27 in money or by exchange or barter, tangible personal property, other than a manufactured
 7.28 home used for residential purposes for a continuous period of 30 days or more.

7.29 (c) Sale and purchase include the production, fabrication, printing, or processing of
 7.30 tangible personal property for a consideration for consumers who furnish either directly or
 7.31 indirectly the materials used in the production, fabrication, printing, or processing.

7.32 (d) Sale and purchase include the preparing for a consideration of food.

7.33 Notwithstanding section 297A.67, subdivision 2, taxable food includes, but is not limited
 7.34 to, the following:

8.1 (1) prepared food sold by the retailer;

8.2 (2) soft drinks;

8.3 (3) candy;

8.4 (4) dietary supplements; and

8.5 (5) all food sold through vending machines.

8.6 (e) A sale and a purchase includes the furnishing for a consideration of electricity,
8.7 gas, water, or steam for use or consumption within this state.

8.8 (f) A sale and a purchase includes the transfer for a consideration of prewritten
8.9 computer software whether delivered electronically, by load and leave, or otherwise.

8.10 (g) A sale and a purchase includes the furnishing for a consideration of the following
8.11 services:

8.12 (1) the privilege of admission to places of amusement, recreational areas, or athletic
8.13 events, and the making available of amusement devices, tanning facilities, reducing
8.14 salons, steam baths, Turkish baths, health clubs, and spas or athletic facilities;

8.15 (2) lodging and related services by a hotel, rooming house, resort, campground,
8.16 motel, or trailer camp, including furnishing the guest of the facility with access to
8.17 telecommunication services, and the granting of any similar license to use real property in
8.18 a specific facility, other than the renting or leasing of it for a continuous period of 30 days
8.19 or more under an enforceable written agreement that may not be terminated without prior
8.20 notice and including accommodations intermediary services provided in connection with
8.21 other services provided under this clause;

8.22 (3) nonresidential parking services, whether on a contractual, hourly, or other
8.23 periodic basis, except for parking at a meter;

8.24 (4) the granting of membership in a club, association, or other organization if:

8.25 (i) the club, association, or other organization makes available for the use of its
8.26 members sports and athletic facilities, without regard to whether a separate charge is
8.27 assessed for use of the facilities; and

8.28 (ii) use of the sports and athletic facility is not made available to the general public
8.29 on the same basis as it is made available to members.

8.30 Granting of membership means both onetime initiation fees and periodic membership
8.31 dues. Sports and athletic facilities include golf courses; tennis, racquetball, handball, and
8.32 squash courts; basketball and volleyball facilities; running tracks; exercise equipment;
8.33 swimming pools; and other similar athletic or sports facilities;

8.34 (5) delivery of aggregate materials by a third party, excluding delivery of aggregate
8.35 material used in road construction; and delivery of concrete block by a third party if the
8.36 delivery would be subject to the sales tax if provided by the seller of the concrete block; and

9.1 (6) services as provided in this clause:

9.2 (i) laundry and dry cleaning services including cleaning, pressing, repairing, altering,
9.3 and storing clothes, linen services and supply, cleaning and blocking hats, and carpet,
9.4 drapery, upholstery, and industrial cleaning. Laundry and dry cleaning services do not
9.5 include services provided by coin operated facilities operated by the customer;

9.6 (ii) motor vehicle washing, waxing, and cleaning services, including services
9.7 provided by coin operated facilities operated by the customer, and rustproofing,
9.8 undercoating, and towing of motor vehicles;

9.9 (iii) building and residential cleaning, maintenance, and disinfecting services and
9.10 pest control and exterminating services;

9.11 (iv) detective, security, burglar, fire alarm, and armored car services; but not including
9.12 services performed within the jurisdiction they serve by off-duty licensed peace officers as
9.13 defined in section 626.84, subdivision 1, or services provided by a nonprofit organization
9.14 for monitoring and electronic surveillance of persons placed on in-home detention
9.15 pursuant to court order or under the direction of the Minnesota Department of Corrections;

9.16 (v) pet grooming services;

9.17 (vi) lawn care, fertilizing, mowing, spraying and sprigging services; garden planting
9.18 and maintenance; tree, bush, and shrub pruning, bracing, spraying, and surgery; indoor
9.19 plant care; tree, bush, shrub, and stump removal, except when performed as part of a land
9.20 clearing contract as defined in section 297A.68, subdivision 40; and tree trimming for
9.21 public utility lines. Services performed under a construction contract for the installation of
9.22 shrubbery, plants, sod, trees, bushes, and similar items are not taxable;

9.23 (vii) massages, except when provided by a licensed health care facility or
9.24 professional or upon written referral from a licensed health care facility or professional for
9.25 treatment of illness, injury, or disease; and

9.26 (viii) the furnishing of lodging, board, and care services for animals in kennels and
9.27 other similar arrangements, but excluding veterinary and horse boarding services; and

9.28 (7) the repair and maintenance of motor vehicles; excluding repair and maintenance
9.29 covered by a warranty, service contract, or a manufacturer's recall.

9.30 (h) A sale and a purchase include the furnishing for consideration of a warranty or
9.31 service contract for the repair or maintenance of a motor vehicle.

9.32 In applying the provisions of this chapter, the terms "tangible personal property"
9.33 and "retail sale" include taxable services listed in clause (6), items (i) to (vi) and (viii),
9.34 and the provision of these taxable services, unless specifically provided otherwise.

9.35 Services performed by an employee for an employer are not taxable. Services performed
9.36 by a partnership or association for another partnership or association are not taxable if

10.1 one of the entities owns or controls more than 80 percent of the voting power of the
 10.2 equity interest in the other entity. Services performed between members of an affiliated
 10.3 group of corporations are not taxable. For purposes of the preceding sentence, "affiliated
 10.4 group of corporations" means those entities that would be classified as members of an
 10.5 affiliated group as defined under United States Code, title 26, section 1504, disregarding
 10.6 the exclusions in section 1504(b).

10.7 For purposes of clause (5), "road construction" means construction of (1) public
 10.8 roads, (2) cartways, and (3) private roads in townships located outside of the seven-county
 10.9 metropolitan area up to the point of the emergency response location sign.

10.10 ~~(h)~~ (i) A sale and a purchase includes the furnishing for a consideration of tangible
 10.11 personal property or taxable services by the United States or any of its agencies or
 10.12 instrumentalities, or the state of Minnesota, its agencies, instrumentalities, or political
 10.13 subdivisions.

10.14 ~~(i)~~ (j) A sale and a purchase includes the furnishing for a consideration of
 10.15 telecommunications services, ancillary services associated with telecommunication
 10.16 services, cable television services, and direct satellite services. Telecommunication
 10.17 services include, but are not limited to, the following services, as defined in section
 10.18 297A.669: air-to-ground radiotelephone service, mobile telecommunication service,
 10.19 postpaid calling service, prepaid calling service, prepaid wireless calling service, and
 10.20 private communication services. The services in this paragraph are taxed to the extent
 10.21 allowed under federal law.

10.22 ~~(j)~~ (k) A sale and a purchase includes the furnishing for a consideration of installation
 10.23 if the installation charges would be subject to the sales tax if the installation were provided
 10.24 by the seller of the item being installed.

10.25 ~~(k)~~ (l) A sale and a purchase includes the rental of a vehicle by a motor vehicle
 10.26 dealer to a customer when (1) the vehicle is rented by the customer for a consideration,
 10.27 or (2) the motor vehicle dealer is reimbursed pursuant to a service contract as defined in
 10.28 section 59B.02, subdivision 11.

10.29 **EFFECTIVE DATE.** This section is effective for sales and purchases made after
 10.30 December 31, 2013.

10.31 Sec. 2. Minnesota Statutes 2012, section 297A.68, subdivision 3, is amended to read:

10.32 Subd. 3. **Materials used in providing certain taxable services.** (a) Materials stored,
 10.33 used, or consumed in providing a taxable service listed in section 297A.61, subdivision 3,
 10.34 paragraph (g), ~~clause~~ clauses (6) and (7), intended to be sold ultimately at retail are exempt.

10.35 (b) This exemption includes, but is not limited to:

- 11.1 (1) chemicals, lubricants, packaging materials, seeds, trees, fertilizers, and
 11.2 herbicides, if these items are used or consumed in providing the taxable service;
- 11.3 (2) chemicals used to treat waste generated as a result of providing the taxable service;
- 11.4 (3) accessory tools, equipment, and other items that are separate detachable units used
 11.5 in providing the service and that have an ordinary useful life of less than 12 months; ~~and~~
- 11.6 (4) fuel, electricity, gas, and steam used or consumed in the production process,
 11.7 except that electricity, gas, or steam used for space heating, cooling, or lighting is exempt
 11.8 if (i) it is in excess of average climate control or lighting, and (ii) it is necessary to produce
 11.9 that particular service.; and
- 11.10 (5) parts and materials incorporated into a motor vehicle as part of automotive repair.
- 11.11 (c) This exemption does not include machinery, equipment, implements, tools,
 11.12 accessories, appliances, contrivances, furniture, and fixtures used in providing the taxable
 11.13 service.

11.14 **EFFECTIVE DATE.** This section is effective for sales and purchases made after
 11.15 December 31, 2013.

11.16 Sec. 3. Minnesota Statutes 2012, section 297A.70, subdivision 2, is amended to read:

11.17 Subd. 2. **Sales to government.** (a) All sales, except those listed in paragraph (b),
 11.18 to the following governments and political subdivisions, or to the listed agencies or
 11.19 instrumentalities of governments and political subdivisions, are exempt:

11.20 (1) the United States and its agencies and instrumentalities;

11.21 (2) school districts, the University of Minnesota, state universities, community
 11.22 colleges, technical colleges, state academies, the Perpich Minnesota Center for Arts
 11.23 Education, and an instrumentality of a political subdivision that is accredited as an
 11.24 optional/special function school by the North Central Association of Colleges and Schools;

11.25 (3) hospitals and nursing homes owned and operated by political subdivisions of
 11.26 the state of tangible personal property and taxable services used at or by hospitals and
 11.27 nursing homes;

11.28 (4) the Metropolitan Council, for its purchases of vehicles and repair parts to equip
 11.29 operations provided for in section 473.4051;

11.30 (5) purchasers of goods and services by a local government for transit purposes if
 11.31 the purchase is funded by revenue from the metropolitan area transit account under section
 11.32 16A.88 or the greater Minnesota transit account under section 16A.88;

11.33 ~~(5)~~ (6) other states or political subdivisions of other states, if the sale would be
 11.34 exempt from taxation if it occurred in that state;

12.1 ~~(6)~~ (7) public libraries, public library systems, multicounty, multitype library systems
 12.2 as defined in section 134.001, county law libraries under chapter 134A, state agency
 12.3 libraries, the state library under section 480.09, and the Legislative Reference Library; and
 12.4 ~~(7)~~ (8) towns.

12.5 (b) This exemption does not apply to the sales of the following products and services:

12.6 (1) building, construction, or reconstruction materials purchased by a contractor
 12.7 or a subcontractor as a part of a lump-sum contract or similar type of contract with a
 12.8 guaranteed maximum price covering both labor and materials for use in the construction,
 12.9 alteration, or repair of a building or facility;

12.10 (2) construction materials purchased by tax exempt entities or their contractors to
 12.11 be used in constructing buildings or facilities which will not be used principally by the
 12.12 tax exempt entities;

12.13 (3) the leasing of a motor vehicle as defined in section 297B.01, subdivision 11,
 12.14 except for leases entered into by the United States or its agencies or instrumentalities;

12.15 (4) lodging as defined under section 297A.61, subdivision 3, paragraph (g), clause
 12.16 (2), and prepared food, candy, soft drinks, and alcoholic beverages as defined in section
 12.17 297A.67, subdivision 2, except for lodging, prepared food, candy, soft drinks, and alcoholic
 12.18 beverages purchased directly by the United States or its agencies or instrumentalities; or

12.19 (5) goods or services purchased by a town as inputs to goods and services that are
 12.20 generally provided by a private business and the purchases would be taxable if made by a
 12.21 private business engaged in the same activity.

12.22 (c) As used in this subdivision, "school districts" means public school entities and
 12.23 districts of every kind and nature organized under the laws of the state of Minnesota, and
 12.24 any instrumentality of a school district, as defined in section 471.59.

12.25 (d) As used in this subdivision, "goods or services generally provided by a private
 12.26 business" include, but are not limited to, goods or services provided by liquor stores, gas
 12.27 and electric utilities, golf courses, marinas, health and fitness centers, campgrounds, cafes,
 12.28 and laundromats. "Goods or services generally provided by a private business" do not
 12.29 include housing services, sewer and water services, wastewater treatment, ambulance and
 12.30 other public safety services, correctional services, chore or homemaking services provided
 12.31 to elderly or disabled individuals, or road and street maintenance or lighting.

12.32 **EFFECTIVE DATE.** This section is effective for sales and purchases made after
 12.33 June 30, 2013.

12.34 Sec. 4. Minnesota Statutes 2012, section 297A.70, subdivision 3, is amended to read:

13.1 Subd. 3. **Sales of certain goods and services to government.** (a) The following
13.2 sales to or use by the specified governments and political subdivisions of the state are
13.3 exempt:

13.4 (1) repair and replacement parts for emergency rescue vehicles, fire trucks, and
13.5 fire apparatus to a political subdivision;

13.6 (2) machinery and equipment, except for motor vehicles, used directly for mixed
13.7 municipal solid waste management services at a solid waste disposal facility as defined in
13.8 section 115A.03, subdivision 10;

13.9 (3) chore and homemaking services to a political subdivision of the state to be
13.10 provided to elderly or disabled individuals;

13.11 (4) telephone services to the Office of Enterprise Technology that are used to provide
13.12 telecommunications services through the enterprise technology revolving fund;

13.13 (5) firefighter personal protective equipment as defined in paragraph (b), if purchased
13.14 or authorized by and for the use of an organized fire department, fire protection district, or
13.15 fire company regularly charged with the responsibility of providing fire protection to the
13.16 state or a political subdivision;

13.17 (6) bullet-resistant body armor that provides the wearer with ballistic and trauma
13.18 protection, if purchased by a law enforcement agency of the state or a political subdivision
13.19 of the state, or a licensed peace officer, as defined in section 626.84, subdivision 1;

13.20 (7) motor vehicles purchased or leased by political subdivisions of the state if the
13.21 vehicles are exempt from registration under section 168.012, subdivision 1, paragraph (b),
13.22 exempt from taxation under section 473.448, or exempt from the motor vehicle sales tax
13.23 under section 297B.03, clause ~~(12)~~ (11);

13.24 (8) equipment designed to process, dewater, and recycle biosolids for wastewater
13.25 treatment facilities of political subdivisions, and materials incidental to installation of
13.26 that equipment;

13.27 (9) the removal of trees, bushes, or shrubs for the construction and maintenance
13.28 of roads, trails, or firebreaks when purchased by an agency of the state or a political
13.29 subdivision of the state;

13.30 (10) purchases by the Metropolitan Council or the Department of Transportation of
13.31 vehicles and repair parts to equip operations provided for in section 174.90, including,
13.32 but not limited to, the Northstar Corridor Rail project; ~~and~~

13.33 (11) purchases of water used directly in providing public safety services by an
13.34 organized fire department, fire protection district, or fire company regularly charged with
13.35 the responsibility of providing fire protection to the state or a political subdivision; and

13.36 (12) taxable services purchased by:

14.1 (i) the Department of Transportation and funded by revenues from the trunk highway
 14.2 fund;

14.3 (ii) a county and funded by revenues from the county state-aid highway fund; or

14.4 (iii) a home-rule charter or statutory city and funded by revenues from the municipal
 14.5 state-aid street fund.

14.6 (b) For purposes of this subdivision, "firefighters personal protective equipment"
 14.7 means helmets, including face shields, chin straps, and neck liners; bunker coats and
 14.8 pants, including pant suspenders; boots; gloves; head covers or hoods; wildfire jackets;
 14.9 protective coveralls; goggles; self-contained breathing apparatus; canister filter masks;
 14.10 personal alert safety systems; spanner belts; optical or thermal imaging search devices;
 14.11 and all safety equipment required by the Occupational Safety and Health Administration.

14.12 (c) For purchases of items listed in paragraph (a), clause (10), the tax must be
 14.13 imposed and collected as if the rate under section 297A.62, subdivision 1, applied and
 14.14 then refunded in the manner provided in section 297A.75.

14.15 **EFFECTIVE DATE.** This section is effective for sales and purchases made after
 14.16 June 30, 2013.

14.17 Sec. 5. Minnesota Statutes 2012, section 297A.94, is amended to read:

14.18 **297A.94 DEPOSIT OF REVENUES.**

14.19 (a) Except as provided in this section, the commissioner shall deposit the revenues,
 14.20 including interest and penalties, derived from the taxes imposed by this chapter in the state
 14.21 treasury and credit them to the general fund.

14.22 (b) The commissioner shall deposit taxes in the Minnesota agricultural and economic
 14.23 account in the special revenue fund if:

14.24 (1) the taxes are derived from sales and use of property and services purchased for
 14.25 the construction and operation of an agricultural resource project; and

14.26 (2) the purchase was made on or after the date on which a conditional commitment
 14.27 was made for a loan guaranty for the project under section 41A.04, subdivision 3.

14.28 The commissioner of management and budget shall certify to the commissioner the date
 14.29 on which the project received the conditional commitment. The amount deposited in
 14.30 the loan guaranty account must be reduced by any refunds and by the costs incurred by
 14.31 the Department of Revenue to administer and enforce the assessment and collection of
 14.32 the taxes.

14.33 (c) The commissioner shall deposit the revenues, including interest and penalties,
 14.34 derived from the taxes imposed on sales and purchases included in section 297A.61,

15.1 subdivision 3, paragraph (g), clauses (1) and (4), in the state treasury, and credit them
15.2 as follows:

15.3 (1) first to the general obligation special tax bond debt service account in each fiscal
15.4 year the amount required by section 16A.661, subdivision 3, paragraph (b); and

15.5 (2) after the requirements of clause (1) have been met, the balance to the general fund.

15.6 (d) The commissioner shall deposit the revenues, including interest and penalties,
15.7 collected under section 297A.64, subdivision 5, in the state treasury and credit them to the
15.8 general fund. By July 15 of each year the commissioner shall transfer to the highway user
15.9 tax distribution fund an amount equal to the excess fees collected under section 297A.64,
15.10 subdivision 5, for the previous calendar year.

15.11 (e) For fiscal year 2001, 97 percent; for fiscal years 2002 and 2003, 87 percent; and
15.12 for fiscal year 2004 and thereafter, 72.43 percent of the revenues, including interest and
15.13 penalties, transmitted to the commissioner under section 297A.65, must be deposited by
15.14 the commissioner in the state treasury as follows:

15.15 (1) 50 percent of the receipts must be deposited in the heritage enhancement account
15.16 in the game and fish fund, and may be spent only on activities that improve, enhance, or
15.17 protect fish and wildlife resources, including conservation, restoration, and enhancement
15.18 of land, water, and other natural resources of the state;

15.19 (2) 22.5 percent of the receipts must be deposited in the natural resources fund, and
15.20 may be spent only for state parks and trails;

15.21 (3) 22.5 percent of the receipts must be deposited in the natural resources fund, and
15.22 may be spent only on metropolitan park and trail grants;

15.23 (4) three percent of the receipts must be deposited in the natural resources fund, and
15.24 may be spent only on local trail grants; and

15.25 (5) two percent of the receipts must be deposited in the natural resources fund,
15.26 and may be spent only for the Minnesota Zoological Garden, the Como Park Zoo and
15.27 Conservatory, and the Duluth Zoo.

15.28 (f) The revenue dedicated under paragraph (e) may not be used as a substitute
15.29 for traditional sources of funding for the purposes specified, but the dedicated revenue
15.30 shall supplement traditional sources of funding for those purposes. Land acquired with
15.31 money deposited in the game and fish fund under paragraph (e) must be open to public
15.32 hunting and fishing during the open season, except that in aquatic management areas or
15.33 on lands where angling easements have been acquired, fishing may be prohibited during
15.34 certain times of the year and hunting may be prohibited. At least 87 percent of the money
15.35 deposited in the game and fish fund for improvement, enhancement, or protection of fish
15.36 and wildlife resources under paragraph (e) must be allocated for field operations.

16.1 (g) On or before June 30 of each fiscal year, the commissioner shall estimate the
 16.2 revenues, including interest and penalties collected during the fiscal year, on sales made by
 16.3 and sales made to all vendors classified as auto repair and maintenance businesses under
 16.4 the North American Industry Classification System code number 8111, minus any refunds
 16.5 made on those sales and purchases. On or after July 1 of the subsequent fiscal year, the
 16.6 commissioner of management and budget shall transfer from the general fund the amount
 16.7 estimated under this paragraph as follows:

16.8 (1) 25 percent to the greater Minnesota transit account in the transit assistance fund;

16.9 (2) 25 percent to the metropolitan area transit account in the transit assistance
 16.10 fund; and

16.11 (3) 50 percent to the county state-aid highway fund.

16.12 (h) The revenues deposited under paragraphs (a) to (f) (g) do not include the
 16.13 revenues, including interest and penalties, generated by the sales tax imposed under
 16.14 section 297A.62, subdivision 1a, which must be deposited as provided under the
 16.15 Minnesota Constitution, article XI, section 15.

16.16 **EFFECTIVE DATE.** This section is effective for revenues collected in fiscal year
 16.17 2014 and thereafter.

16.18 **ARTICLE 4**

16.19 **MOTOR VEHICLE SALES TAX**

16.20 Section 1. Minnesota Statutes 2012, section 297B.01, subdivision 14, is amended to
 16.21 read:

16.22 Subd. 14. **Purchase price.** (a) "Purchase price" means the total consideration
 16.23 valued in money for a sale, whether paid in money or otherwise. The purchase price
 16.24 excludes the amount of a manufacturer's rebate paid or payable to the purchaser. If a motor
 16.25 vehicle is taken in trade as a credit or as part payment on a motor vehicle taxable under
 16.26 this chapter, the credit or trade-in value allowed by the person selling the motor vehicle
 16.27 shall be deducted from the total selling price to establish the purchase price of the vehicle
 16.28 being sold and the trade-in allowance allowed by the seller shall constitute the purchase
 16.29 price of the motor vehicle accepted as a trade-in. The purchase price in those instances
 16.30 where the motor vehicle is acquired by gift or by any other transfer for a nominal or no
 16.31 monetary consideration shall also include the average value of similar motor vehicles,
 16.32 established by standards and guides as determined by the motor vehicle registrar. The
 16.33 purchase price in those instances where a motor vehicle is manufactured by a person who
 16.34 registers it under the laws of this state shall mean the manufactured cost of such motor

17.1 vehicle and manufactured cost shall mean the amount expended for materials, labor,
 17.2 and other properly allocable costs of manufacture, except that in the absence of actual
 17.3 expenditures for the manufacture of a part or all of the motor vehicle, manufactured costs
 17.4 shall mean the reasonable value of the completed motor vehicle.

17.5 (b) The term "purchase price" shall not include the portion of the value of a motor
 17.6 vehicle due solely to modifications necessary to make the motor vehicle disability
 17.7 accessible.

17.8 (c) The term "purchase price" shall not include the transfer of a motor vehicle by
 17.9 way of gift between a husband and wife or parent and child, or to a nonprofit organization
 17.10 as provided under subdivision 16, paragraph (c), clause ~~(5)~~ (6), nor shall it include
 17.11 the transfer of a motor vehicle by a guardian to a ward when there is no monetary
 17.12 consideration and the title to such vehicle was registered in the name of the guardian, as
 17.13 guardian, only because the ward was a minor.

17.14 (d) The term "purchase price" shall not include the transfer of a motor vehicle as a
 17.15 gift between a foster parent and foster child. For purposes of this subdivision, a foster
 17.16 relationship exists, regardless of the age of the child, if (1) a foster parent's home is or was
 17.17 licensed as a foster family home under Minnesota Rules, parts 9545.0010 to 9545.0260,
 17.18 and (2) the county verifies that the child was a state ward or in permanent foster care.

17.19 (e) There shall not be included in "purchase price" the amount of any tax imposed by
 17.20 the United States upon or with respect to retail sales whether imposed upon the retailer or
 17.21 the consumer.

17.22 Sec. 2. Minnesota Statutes 2012, section 297B.01, subdivision 16, is amended to read:

17.23 Subd. 16. **Sale, sells, selling, purchase, purchased, or acquired.** (a) "Sale,"
 17.24 "sells," "selling," "purchase," "purchased," or "acquired" means any transfer of title of any
 17.25 motor vehicle, whether absolutely or conditionally, for a consideration in money or by
 17.26 exchange or barter for any purpose other than resale in the regular course of business.

17.27 (b) Any motor vehicle utilized by the owner only by leasing such vehicle to others
 17.28 or by holding it in an effort to so lease it, and which is put to no other use by the owner
 17.29 other than resale after such lease or effort to lease, shall be considered property purchased
 17.30 for resale.

17.31 (c) The terms also shall include any transfer of title or ownership of a motor vehicle
 17.32 by other means, for or without consideration, except that these terms shall not include:

17.33 (1) the acquisition of a motor vehicle by inheritance from or by bequest of, a
 17.34 decedent who owned it;

18.1 (2) the transfer of a motor vehicle which was previously licensed in the names of
 18.2 two or more joint tenants and subsequently transferred without monetary consideration to
 18.3 one or more of the joint tenants;

18.4 (3) the transfer of a motor vehicle by way of ~~gift between individuals, or gift~~
 18.5 from a limited used vehicle dealer licensed under section 168.27, subdivision 4a, to an
 18.6 individual, when the transfer is with no monetary or other consideration or expectation
 18.7 of consideration and the parties to the transfer submit an affidavit to that effect at the
 18.8 time the title transfer is recorded;

18.9 (4) the transfer of a motor vehicle by gift between spouses or between parent and
 18.10 child;

18.11 (5) the voluntary or involuntary transfer of a motor vehicle between a husband and
 18.12 wife in a divorce proceeding; or

18.13 ~~(5)~~ (6) the transfer of a motor vehicle by way of a gift to an organization that is exempt
 18.14 from federal income taxation under section 501(c)(3) of the Internal Revenue Code when
 18.15 the motor vehicle will be used exclusively for religious, charitable, or educational purposes.

18.16 Sec. 3. Minnesota Statutes 2012, section 297B.02, subdivision 3, is amended to read:

18.17 Subd. 3. **In lieu tax for collector vehicle.** In lieu of the tax imposed in subdivision
 18.18 1, there is imposed a tax of ~~\$90~~ \$150 on the purchase price of a passenger automobile or a
 18.19 fire truck described in section 297B.025, subdivision 2.

18.20 Sec. 4. Minnesota Statutes 2012, section 297B.03, is amended to read:

18.21 **297B.03 EXEMPTIONS.**

18.22 There is specifically exempted from the provisions of this chapter and from
 18.23 computation of the amount of tax imposed by it the following:

18.24 (1) purchase or use, including use under a lease purchase agreement or installment
 18.25 sales contract made pursuant to section 465.71, of any motor vehicle by the United States
 18.26 and its agencies and instrumentalities and by any person described in and subject to the
 18.27 conditions provided in section 297A.67, subdivision 11;

18.28 ~~(2) purchase or use of any motor vehicle by any person who was a resident of~~
 18.29 ~~another state or country at the time of the purchase and who subsequently becomes a~~
 18.30 ~~resident of Minnesota, provided the purchase occurred more than 60 days prior to the date~~
 18.31 ~~such person began residing in the state of Minnesota and the motor vehicle was registered~~
 18.32 ~~in the person's name in the other state or country;~~

18.33 ~~(3)~~ (2) purchase or use of any motor vehicle by any person making a valid election
 18.34 to be taxed under the provisions of section 297A.90;

19.1 ~~(4)~~ (3) purchase or use of any motor vehicle previously registered in the state of
19.2 Minnesota when such transfer constitutes a transfer within the meaning of section 118,
19.3 331, 332, 336, 337, 338, 351, 355, 368, 721, 731, 1031, 1033, or 1563(a) of the Internal
19.4 Revenue Code;

19.5 ~~(5)~~ (4) purchase or use of any vehicle owned by a resident of another state and
19.6 leased to a Minnesota-based private or for-hire carrier for regular use in the transportation
19.7 of persons or property in interstate commerce provided the vehicle is titled in the state
19.8 of the owner or secured party, and that state does not impose a sales tax or sales tax on
19.9 motor vehicles used in interstate commerce;

19.10 ~~(6)~~ (5) purchase or use of a motor vehicle by a private nonprofit or public educational
19.11 institution for use as an instructional aid in automotive training programs operated by the
19.12 institution. "Automotive training programs" includes motor vehicle body and mechanical
19.13 repair courses but does not include driver education programs;

19.14 ~~(7)~~ (6) purchase of a motor vehicle by an ambulance service licensed under section
19.15 144E.10 when that vehicle is equipped and specifically intended for emergency response
19.16 or for providing ambulance service;

19.17 ~~(8)~~ (7) purchase of a motor vehicle by or for a public library, as defined in section
19.18 134.001, subdivision 2, as a bookmobile or library delivery vehicle;

19.19 ~~(9)~~ (8) purchase of a ready-mixed concrete truck;

19.20 ~~(10)~~ (9) purchase or use of a motor vehicle by a town for use exclusively for road
19.21 maintenance, including snowplows and dump trucks, but not including automobiles,
19.22 vans, or pickup trucks;

19.23 ~~(11)~~ (10) purchase or use of a motor vehicle by a corporation, society, association,
19.24 foundation, or institution organized and operated exclusively for charitable, religious, or
19.25 educational purposes, except a public school, university, or library, but only if the vehicle is:

19.26 (i) a truck, as defined in section 168.002, a bus, as defined in section 168.002, or a
19.27 passenger automobile, as defined in section 168.002, if the automobile is designed and
19.28 used for carrying more than nine persons including the driver; and

19.29 (ii) intended to be used primarily to transport tangible personal property or
19.30 individuals, other than employees, to whom the organization provides service in
19.31 performing its charitable, religious, or educational purpose;

19.32 ~~(12)~~ (11) purchase of a motor vehicle for use by a transit provider exclusively to
19.33 provide transit service is exempt if the transit provider is either (i) receiving financial
19.34 assistance or reimbursement under section 174.24 or 473.384, or (ii) operating under
19.35 section 174.29, 473.388, or 473.405;

20.1 ~~(13)~~ (12) purchase or use of a motor vehicle by a qualified business, as defined
 20.2 in section 469.310, located in a job opportunity building zone, if the motor vehicle is
 20.3 principally garaged in the job opportunity building zone and is primarily used as part of or
 20.4 in direct support of the person's operations carried on in the job opportunity building zone.
 20.5 The exemption under this clause applies to sales, if the purchase was made and delivery
 20.6 received during the duration of the job opportunity building zone. The exemption under
 20.7 this clause also applies to any local sales and use tax;

20.8 ~~(14)~~ (13) purchase of a leased vehicle by the lessee who was a participant in a
 20.9 lease-to-own program from a charitable organization that is:

20.10 (i) described in section 501(c)(3) of the Internal Revenue Code; and

20.11 (ii) licensed as a motor vehicle lessor under section 168.27, subdivision 4; and

20.12 ~~(15)~~ (14) purchase of a motor vehicle used exclusively as a mobile medical unit
 20.13 for the provision of medical or dental services by a federally qualified health center, as
 20.14 defined under title 19 of the Social Security Act, as amended by Section 4161 of the
 20.15 Omnibus Budget Reconciliation Act of 1990.

20.16 **Sec. 5. EFFECTIVE DATE.**

20.17 Except as otherwise specified, sections 1 to 4 are effective July 1, 2013, and apply to
 20.18 transfers of title that occur on or after that date.

20.19 **ARTICLE 5**

20.20 **LOCAL OPTION TRANSPORTATION FINANCE**

20.21 Section 1. Minnesota Statutes 2012, section 163.051, is amended to read:

20.22 **163.051 METROPOLITAN COUNTY WHEELAGE TAX.**

20.23 Subdivision 1. **Tax authorized.** (a) Except as provided in paragraph (b), the board
 20.24 of commissioners of each ~~metropolitan~~ county is authorized to levy by resolution a
 20.25 wheelage tax of \$5 for the year 1972 in an amount set by the county for calendar year
 20.26 2014 and each subsequent year thereafter ~~by resolution~~ on each motor vehicle that is kept
 20.27 in such county when not in operation and that is subject to annual registration and taxation
 20.28 under chapter 168. The board may provide by resolution for collection of the wheelage
 20.29 tax by county officials or it may request that the tax be collected by the state registrar of
 20.30 motor vehicles, and the state registrar of motor vehicles shall collect such tax on behalf
 20.31 of the county if requested, as provided in subdivision 2.

20.32 (b) The following vehicles are exempt from the wheelage tax:

20.33 (1) motorcycles, as defined in section 169.011, subdivision 44;

- 21.1 (2) motorized bicycles, as defined in section 169.011, subdivision 45; and
 21.2 (3) ~~electric-assisted bicycles, as defined in section 169.011, subdivision 27; and~~
 21.3 ~~(4) motorized foot scooters, as defined in section 169.011, subdivision 46.~~

21.4 Subd. 2. **Collection by registrar of motor vehicles.** The wheelage tax levied by
 21.5 any ~~metropolitan~~ county, if made collectible by the state registrar of motor vehicles,
 21.6 shall be certified by the county auditor to the registrar not later than August 1 in the year
 21.7 before the calendar year or years for which the tax is levied, and the registrar shall collect
 21.8 such tax with the motor vehicle taxes on the affected vehicles for such year or years.
 21.9 Every owner and every operator of such a motor vehicle shall furnish to the registrar all
 21.10 information requested by the registrar. No state motor vehicle tax on any such motor
 21.11 vehicle for any such year shall be received or deemed paid unless the applicable wheelage
 21.12 tax is paid therewith. ~~The proceeds of the wheelage tax levied by any metropolitan county,~~
 21.13 ~~less any amount retained by the registrar to pay costs of collection of the wheelage tax,~~
 21.14 ~~shall be paid to the commissioner of management and budget and deposited in the state~~
 21.15 ~~treasury to the credit of the county wheelage tax fund of each metropolitan county.~~

21.16 Subd. 2a. **Tax proceeds deposited; costs of collection; appropriation.**
 21.17 Notwithstanding the provisions of any other law, the state registrar of motor vehicles shall
 21.18 deposit the proceeds of the wheelage tax imposed by subdivision 2, to the credit of the
 21.19 county wheelage tax ~~fund~~ account of each ~~metropolitan~~ county. The amount necessary to
 21.20 pay the costs of collection of said tax is appropriated from the county wheelage tax ~~fund~~
 21.21 account of each ~~metropolitan~~ county to the state registrar of motor vehicles.

21.22 Subd. 3. **Distribution to ~~metropolitan~~ county; appropriation.** ~~On or before April~~
 21.23 ~~1 in 1972 and each subsequent year, the commissioner of management and budget~~ On a
 21.24 monthly basis, the state registrar of motor vehicles shall issue a warrant in favor of the
 21.25 treasurer of each ~~metropolitan~~ county for which the registrar has collected a wheelage tax
 21.26 in the amount of such tax then on hand in the county wheelage tax ~~fund~~ account. There
 21.27 is hereby appropriated from the county wheelage tax ~~fund~~ account each year, to each
 21.28 ~~metropolitan~~ county entitled to payments authorized by this section, sufficient ~~moneys~~
 21.29 money to make such payments.

21.30 Subd. 4. **Use of tax.** The treasurer of each ~~metropolitan~~ county receiving ~~moneys~~
 21.31 money under subdivision 3 shall deposit such ~~moneys~~ money in the county road and
 21.32 bridge fund. The ~~moneys~~ money shall be used for purposes authorized by law which are
 21.33 highway purposes within the meaning of the Minnesota Constitution, article 14.

21.34 Subd. 6. **~~Metropolitan county defined.~~** ~~"Metropolitan county" means any of the~~
 21.35 ~~counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.~~

22.1 Subd. 7. **Offenses; penalties; application of other laws.** (a) Any owner or operator
 22.2 of a motor vehicle who ~~shall~~ willfully ~~give~~ gives any false information relative to the tax
 22.3 ~~herein~~ authorized under this section to the registrar of motor vehicles or any ~~metropolitan~~
 22.4 county, or who ~~shall~~ willfully ~~fail or refuse~~ fails or refuses to furnish any such information,
 22.5 ~~shall be~~ is guilty of a misdemeanor.

22.6 (b) Except as otherwise ~~herein~~ provided under this section, the collection and payment
 22.7 of a wheelage tax and all matters relating thereto ~~shall be~~ are subject to all provisions of
 22.8 law relating to collection and payment of motor vehicle taxes so far as applicable.

22.9 **EFFECTIVE DATE.** This section is effective August 1, 2013.

22.10 Sec. 2. Minnesota Statutes 2012, section 297A.992, subdivision 2, is amended to read:

22.11 Subd. 2. **Authorization; rates.** (a) Notwithstanding section 297A.99, subdivisions
 22.12 1, 2, and 3, or 477A.016, or any other law, the board of a county participating in a
 22.13 joint powers agreement as specified in this section shall impose by resolution (1) a
 22.14 transportation sales and use tax at a rate of ~~one-quarter~~ three-fourths of one percent on
 22.15 retail sales and uses taxable under this chapter, and (2) an excise tax of \$20 per motor
 22.16 vehicle, as defined in section 297B.01, subdivision 11, purchased or acquired from any
 22.17 person engaged in the business of selling motor vehicles at retail, occurring within the
 22.18 jurisdiction of the taxing authority. The taxes authorized are to fund transportation
 22.19 improvements as specified in this section, including debt service on obligations issued
 22.20 to finance such improvements pursuant to subdivision 7.

22.21 (b) The tax imposed under this section is not included in determining if the total tax
 22.22 on lodging in the city of Minneapolis exceeds the maximum allowed tax under Laws 1986,
 22.23 chapter 396, section 5, as amended by Laws 2001, First Special Session chapter 5, article
 22.24 12, section 87, or in determining a tax that may be imposed under any other limitations.

22.25 **EFFECTIVE DATE.** This section is effective July 1, 2013.

22.26 Sec. 3. Minnesota Statutes 2012, section 297A.992, subdivision 6, is amended to read:

22.27 Subd. 6. **Allocation of grant awards.** (a) The board must allocate grant awards
 22.28 ~~only~~ as follows:

22.29 (1) two-thirds for the following transit purposes:

22.30 (i) capital improvements to transit ways, including, but not limited to, commuter
 22.31 rail rolling stock, light rail vehicles, and transit way buses;

22.32 (ii) capital costs for park-and-ride facilities, as defined in section 174.256,
 22.33 subdivision 2;

23.1 (iii) feasibility studies, planning, alternatives analyses, environmental studies,
 23.2 engineering, property acquisition for transit way purposes, and construction of transit
 23.3 ways; and

23.4 (iv) operating assistance for transit ways; and

23.5 (2) one-third for construction, reconstruction, or maintenance of county highways.

23.6 (b) The joint powers board must annually award grants to each minimum guarantee
 23.7 county in an amount no less than the amount of sales tax revenue collected within that
 23.8 county.

23.9 (c) No more than 1.25 percent of the ~~total~~ awards under paragraph (a), clause (1),
 23.10 may be annually allocated for planning, studies, design, construction, maintenance, and
 23.11 operation of pedestrian programs and bicycle programs and pathways.

23.12 **EFFECTIVE DATE.** This section is effective July 1, 2013.

23.13 Sec. 4. Minnesota Statutes 2012, section 297A.993, subdivision 1, is amended to read:

23.14 Subdivision 1. **Authorization; rates.** Notwithstanding section 297A.99,
 23.15 subdivisions 1, 2, 3, 5, and 13, or 477A.016, or any other law, the board of a county outside
 23.16 the metropolitan transportation area, as defined under section 297A.992, subdivision 1, or
 23.17 more than one county outside the metropolitan transportation area acting under a joint
 23.18 powers agreement, may by resolution of the county board, or each of the county boards,
 23.19 following a public hearing impose (1) a transportation sales tax at a rate of up to one-half
 23.20 of one percent on retail sales and uses taxable under this chapter, and (2) an excise tax
 23.21 of \$20 per motor vehicle, as defined in section 297B.01, subdivision 11, purchased or
 23.22 acquired from any person engaged in the business of selling motor vehicles at retail,
 23.23 occurring within the jurisdiction of the taxing authority. ~~The taxes imposed under this~~
 23.24 ~~section are subject to approval by a majority of the voters in each of the counties affected~~
 23.25 ~~at a general election who vote on the question to impose the taxes.~~

23.26 **EFFECTIVE DATE.** This section is effective the day following final enactment.

23.27 Sec. 5. **[435.39] MUNICIPAL STREET IMPROVEMENT DISTRICTS.**

23.28 Subdivision 1. **Definitions.** (a) For the purposes of this section, the following terms
 23.29 have the meanings given them.

23.30 (b) "Governing body" means the city council of a municipality.

23.31 (c) "Improvements" means construction, reconstruction, and facility upgrades
 23.32 involving: right-of-way acquisition; paving; curbs and gutters; bridges and culverts and
 23.33 their repair; milling; overlaying; drainage and storm sewers; excavation; base work;

24.1 subgrade corrections; street lighting; traffic signals; signage; sidewalks; pavement
24.2 markings; boulevard and easement restoration; impact mitigation; connection and
24.3 reconnection of utilities; turn lanes; medians; street and alley returns; retaining walls;
24.4 fences; lane additions; and fixed transit infrastructure, trails, or pathways. "Fixed transit
24.5 infrastructure" does not include commuter rail rolling stock, light rail vehicles, or
24.6 transit way buses; capital costs for park-and-ride facilities; feasibility studies, planning,
24.7 alternative analyses, environmental studies, engineering, or construction of transit ways;
24.8 or operating assistance for transit ways.

24.9 (d) "Maintenance" means striping, seal coating, crack sealing, pavement repair,
24.10 sidewalk maintenance, signal maintenance, street light maintenance, and signage.

24.11 (e) "Municipal street" means a street, alley, or public way in which the municipality
24.12 is the road authority with powers conferred by section 429.021.

24.13 (f) "Municipality" means a home rule charter or statutory city.

24.14 (g) "Street improvement district" means a geographic area designated by a
24.15 municipality and located within the municipality within which street improvements and
24.16 maintenance may be undertaken and financed according to this section.

24.17 Subd. 2. **Authorization.** A municipality may establish by ordinance municipal
24.18 street improvement districts and may defray all or part of the total costs of municipal
24.19 street improvements and maintenance by apportioning street improvement fees to all of
24.20 the parcels located in the district.

24.21 Subd. 3. **Uniformity.** The total costs of municipal street improvements and
24.22 maintenance must be apportioned to all parcels or tracts of land located in the established
24.23 street improvement district on a uniform basis within each classification of real estate.

24.24 Subd. 4. **Adoption of plan.** Before establishing a municipal street improvement
24.25 district or authorizing a street improvement fee, a municipality must propose and adopt a
24.26 street improvement plan that identifies the location of the municipal street improvement
24.27 district and identifies and estimates the costs of the proposed improvements during the
24.28 proposed period of collection of municipal street improvement fees, which must be for
24.29 a period of at least five years and at most 20 years. Notice of a public hearing on the
24.30 proposed plan must be given by mail to all affected landowners at least ten days before
24.31 the hearing and posted for at least ten days before the hearing. At the public hearing, the
24.32 governing body must present the plan and all affected landowners in attendance must have
24.33 the opportunity to comment before the governing body considers adoption of the plan.

24.34 Subd. 5. **Citywide districts.** A municipality that establishes a street improvement
24.35 district that encompasses the entire political jurisdiction may adjust the fees annually as
24.36 part of the annual budget process, utilizing truth in taxation notices and hearings to satisfy

25.1 the notice and hearing requirements in this section. A citywide district may be renewed
25.2 annually for an indefinite period.

25.3 Subd. 6. **Use of fees.** Revenues from street improvement fees must be placed in
25.4 a separate account and used only for projects located within the district and identified
25.5 in the municipal street improvement plan.

25.6 Subd. 7. **Collection; up to 20 years.** (a) An ordinance adopted under this section
25.7 must provide for billing and payment of the fee on a monthly, quarterly, or other basis
25.8 as directed by the governing body. The governing body may collect municipal street
25.9 improvement fees within a street improvement district for a maximum of 20 years.

25.10 (b) Fees that, as of October 15 of each year, have remained unpaid for at least 30
25.11 days may be certified to the county auditor for collection as a special assessment payable
25.12 in the following calendar year against the affected property.

25.13 Subd. 8. **Notice; hearings.** A municipality may impose a municipal street
25.14 improvement fee by ordinance. The ordinance must not be voted on or adopted until after
25.15 a public hearing has been held on the question.

25.16 Subd. 9. **Not exclusive means of financing improvements.** The use of the
25.17 municipal street improvement fee by a municipality does not restrict the municipality from
25.18 imposing other measures to pay the costs of local street improvements or maintenance,
25.19 except that a municipality must not impose special assessments for projects funded with
25.20 street improvement fees.

APPENDIX
Article locations in 13-2506

ARTICLE 1	TRUNK HIGHWAY BONDS	Page.Ln 1.12
ARTICLE 2	HIGHWAY USER TAXES	Page.Ln 3.5
ARTICLE 3	GENERAL SALES TAX	Page.Ln 7.18
ARTICLE 4	MOTOR VEHICLE SALES TAX	Page.Ln 16.18
ARTICLE 5	LOCAL OPTION TRANSPORTATION FINANCE	Page.Ln 20.19